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SUBJECT: THE SPD RALLIES AROUND BECK AND LOOKS TOWARD 2009
ELECTIONS

Classified By: Charge D'Affaires John M. Koenig for Reasons 1.4 (B,D).

11. (C) Summary: The Social Democratic Party's (SPD) October 26-28 convention gave a much-needed boost to party chairman Kurt Beck, who emerged as the SPD's undisputed candidate for chancellor in 2009. The SPD focused squarely on a domestic agenda that should not directly affect our ability to work with Germany on issues of international significance -- the only foreign policy news at the convention was positive, with the SPD approving continued participation in OEF and calling for increased engagement in Afghanistan. In addition to Beck's popular revision of previous unemployment insurance reforms, unexpected grass-roots resolutions against railroad privatization and for a national speed limit were forced on the party leadership against its will, measures that push the SPD somewhat to the left, though not as far as media headlines would suggest. These shifts do not pose a threat to the survival of Chancellor Merkel's Grand Coalition but signal a more intense focus on the 2009 elections and increasingly sharp competition between the SPD and CDU for votes. As a result, the coalition increasingly will limp along on domestic reform as the national elections approach. There is still latent potential for SPD figures to play the anti-American card again, as Beck did on Missile Defense after Putin's February 2006 Munich speech, but these appeals were notably absent in Hamburg. End summary.

Beck Strengthened

12. (C) The October 26-28 SPD national convention in Hamburg was a success for a party that has had three chairmen since 2004, is suffering in the polls, and had recently fallen victim to internal squabbling. Beck, a provincial figure, whose popularity had sunk even among SPD supporters, was a clear winner in Hamburg, re-elected with 95.5 percent as party chairman. He is now poised to be the party's "natural" candidate for chancellor in the 2009 parliamentary elections, unless the SPD does poorly in the 2008 state elections in Lower Saxony, Hesse, and Hamburg. Beck heaped generous praise on the SPD government ministers in a bid to heal the party divisions resulting from his power struggle with Vice Chancellor and Labor Minister Franz Muentefering (ostensibly centered on revisions to the law on unemployment benefits). SPD contacts also pointed out that the election of the three deputy chairpersons -- Foreign Minister Frank-Walter Steinmeier, Finance Minister Peer Steinbrueck, and Bundestag member Andrea Nahles was "ideal" in that Nahles -- who represents the SPD's left -- received fewer votes than her more centrist co-deputies. Her position in the inner party leadership is aimed at helping to keep the left wing of the party in line and attract alienated SPD leftists back from the orbit of the new party "The Left." Berlin Mayor Klaus Wowereit, the SPD left-winger with the broadest public appeal, told the Charge October 29 that centrists maintained their dominance at the convention.

Bread-and-Butter, or a Roll-Back of Reform?

¶3. (C) The convention celebrated the party's traditional bread-and-butter domestic issues, with the slogans, "Solidarity, Justice, and Freedom" and "Economic Upswing for Everyone." The SPD's "Hamburg Program" sounds populist themes, including a partial pullback from the "Agenda 2010" reforms pushed through by Gerhard Schroeder's government, but does not mark an abrupt shift to the left. The party called for an extension of unemployment entitlements to a maximum of two years for workers over 45 and a national minimum wage of 7.50 euros. Yet Beck and other SPD leaders were careful to point out that the annual 1.1 billion euro (USD 1.6 billion) cost of the benefits would come from the off-budget unemployment fund, not affect the general budget (a CDU redline), and would be coupled with further cuts in unemployment insurance contributions that would make it cheaper for firms to hire new workers (another CDU theme). Polls have shown wide public support for such adjustments to "Agenda 2010."

Deutsche Bahn Privatization

¶4. (C) Although the SPD convention was a much more scripted event than the Greens convention a month earlier, the news in Hamburg was not uniformly positive for Beck and the party leadership. Against a backdrop of ongoing strikes by locomotive engineers, the party faithful forced the SPD leadership to review the proposed privatization of the

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state-owned railroad, Deutsche Bahn (DB), proposing instead that 26% of the shares become "people's shares" without voting rights (Volksaktien), with 51% remaining with the government and only 23% being made available to a major investor. It is unlikely that major investors -- who are needed to recapitalize DB -- would accept these conditions. So privatization -- the major infrastructure reform of the decade -- could now be at risk, putting (SPD) Transportation Minister Tiefensee, a major champion of privatization, in an especially difficult position.

Environmental Policy

¶5. (C) In a rather feeble attempt to recapture some of the ground that Chancellor Merkel occupies on climate change, SPD delegates overturned the leadership and voted to introduce a 130-kilometer per hour (80 mph) speed limit on Germany's highways to reduce CO2 emissions. This was not welcomed by the leadership, which tried to put the best face on the move as a "symbolic" issue. The convention also restricted new licenses for brown-coal power plants. Given the SPD's steadfast opposition to nuclear power, the obstacles to new coal plants, if adopted as government policy, could increase Germany's already high dependence on Russian gas.

Comment

¶6. (C) Lagging behind the CDU by about 10 points in the current polls, challenged as the "voice of the little man" by the Left party, and having lost thousands from its membership rolls, the SPD has been under intense pressure to re-establish its identity. The convention signaled that the party sees economic "justice" themes as the key to achieving this goal. While the SPD did address foreign policy issues, (including a caution by Steinmeier against "saber-rattling"

with respect to Iran), the party did not depart from its known positions or initiate shifts that represent major concerns for U.S. foreign policy. The new party platform and the debate at the convention represent less a shift to the left - as some in the media argued -- than a sharpening of the SPD's independent profile in relation to the CDU and The Left. With a renewed mandate and a new spring in his step, Kurt Beck is better poised to challenge Merkel in 2009. He still has a long way to go. The question for the SPD now is whether the party's new platform and its investment in Beck are enough to improve the SPD's prospects as it heads into the second half of the legislative term. The SPD's goal is to win back the hearts of the disappointed party members and traditional SPD voters by focusing on tried and true -- and, based on polling figures, very popular -- social and economic justice themes from the pre-Schroeder era, especially before key state elections early next year. This will leave little room for further work on the Grand Coalition's already modest domestic legislative program.

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